

Message Text

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ACTION COME-00

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R 291330Z JUL 75

FM AMEMBASSY STOCKHOLM

TO SECSTATE WASHDC PRIORITY 5229

UNCLAS STOCKHOLM 3659

PASS COMMERCE AND EXPORT-IMPORT BANK

E.O. 11652: N/A

TAGS: BEXP, SW

SUBJECT: EXPANSION OF STEELWORKS 80

REF: (A) STATE 148922; (B) STOCKHOLM 3594; (C) STOCKHOLM A-130

(D) STOCKHOLM A-191

1. JAN HORNFELDT, STEELWORKS 80 PROJECT MANAGER, HAS NOW PROVIDED ANSWERS TO QUESTIONS RAISED REF A:

2. COMPONENTS TO BE PURCHASED IN US.

A. NORBOTTENS JARNVERK AB (NJA) CLAIMS IT CANNOT SPECIFY WHICH ITEMS WILL BE BOUGHT FROM US SINCE COMPANY TRIES TO KEEP BIDDING OPEN TO ALL COMPETITORS.

B. EMBASSY COMMENT: THIS IS TEMPORIZING ANSWER. HORNFELDT TOLD EMBOFF IN APRIL THAT NJA HAD SPECIAL INTEREST IN PARTICULAR EQUIPMENT AND WOULD INVITE BIDS FROM SELECTED FIRMS IN SEVERAL COUNTRIES. HE ADDED THAT COMPANY IS LIKELY TO EXPLORE OFFERINGS OF UNSPECIFIED U.S. FIRMS WITH WHICH IT HAS DEALT IN PAST. EMBASSY UNDERSTANDS NJA HAS BEEN IN CONTACT WITH BECHTEL AND US STEEL AMONG OTHERS.

3. TIMING.

A. NJA INTENDS TO SEND OUT INVITATIONS TO TENDER FOR MAIN PROCESS UNITS DURING FOURTH QUARTER 1975. PROCUREMENT WILL TAKE PLACE IN FIRST AND SECOND QUARTERS 1976.

B. CONSTRUCTION WORK FOR FOUNDATIONS WILL START EARLY 1976 AND ERECTION WORK WILL BEGIN IN 1977.

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C. STEELWORKS 80 WILL BE COMPLETED IN TWO STAGES.

SCHEDULED FOR COMPLETION IN FOURTH QUARTER 1978 ARE PART OF SINTER PLANT (ONE STRAND), ONE BLAST FURNACE, PART OF LD SHOP (TWO CONVERTERS) AND PART OF CONTINUOUS CASTING PLANT (THREE CASTING MACHINES). REMAINING UNITS WILL BE COMPLETED ONE YEAR LATER. (REF C)

D. PROCUREMENT FOR BOTH STAGES IS LIKELY TO BE HANDLED SIMULTANEOUSLY.

4. SERVICING.

A. NJA CONSIDERS IT VERY DIFFICULT FOR AN AMERICAN MAJOR SUPPLIER TO WORK INDEPENDENTLY IN SWEDEN; COMPANY THEREFORE THINKS IT UNLIKELY TO OCCUR IN CASE OF STEELWORKS 80. NJA HAS NOT PLACED ANY MAJOR ORDERS DIRECTLY WITH US-BASED COMPANIES IN PAST AND DOES NOT HAVE SPECIFIC SERVICE PROBLEMS WITH AMERICAN FIRMS IN MIND IN MAKING THIS GENERALIZATION. HOWEVER, IT REGARDS SERVICE AS A CENTRAL QUESTION IN PROCUREMENT OF HEAVY EQUIPMENT, ESPECIALLY EQUIPMENT PURCHASED ABROAD.

B. EMBASSY COMMENT: WE BELIEVE NJA MAY BE OVEREMPHASIZING THIS POINT. SUBSTANTIAL U.S. SUPPLIERS OF EQUIPMENT AND SERVICES USUALLY HAVE SERVICE FACILITIES IN EUROPE.

5. FOREIGN CREDITS. NJA IS INTERESTED IN EXPLORING ALL MEANS OF FINANCING. "THEREFORE WE ARE DEFINITELY INTERESTED IN INFORMATION ON CREDIT TERMS FROM THE EXPORT-IMPORT BANK OF THE UNITED STATES....(AND) ON BANK SERVICES."

6. EMBASSY ALSO ASKED WHETHER PROSPECT FOR CONSTRUCTION OF ROLLING MILLS AT GAVLE AND LULEA ALTER STEELWORKS 80 PROJECT IN ANY SIGNIFICANT WAY. (REF D) HORNFELDT SAID ROLLING MILL PROJECT WOULD NOT DIRECTLY AFFECT PROCUREMENT FOR STEELWORKS 80. PROCUREMENT FOR ROLLING MILLS WILL BE HANDLED SEPARATELY.

7. ACTION REQUESTED. EMBASSY REQUESTS EXIMBANK TO PROVIDE NJA FULL INFORMATION ABOUT ITS SERVICES AND SUGGESTS EXIMBANK CONSIDER POSSIBILITY OF SENDING REPRESENTATIVE TO MAKE PRESENTATION TO KORNFELDT AND MANAGING DIRECTOR JOHN OLOF EDSTROM IN LULEE.
STRAUSZ-HUPE

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